

## **Bush administration taking early step toward taking oil from vast Western shale deposits**

**The Associated Press**

**Published: July 22, 2008**

WASHINGTON: The Bush administration wants to start a process before leaving office for developing oil shale, rocky deposits in the western United States that eventually could yield 800 billion barrels of oil, according to government estimates.

The Interior Department is scheduled to unveil proposed regulations Tuesday for a program to sell oil shale leases on federal lands, similar to the leases sold now for oil and natural gas both on and offshore.

The shale is concentrated in the Green River Basin of Colorado, Wyoming and Utah. Developing it has become a hot topic of debate between Democrats and Republicans in response to voter anger over \$4-a-gallon (€1.05 a liter) gasoline.

President George W. Bush said last month that "one major deposit in the Rocky Mountain West alone would equal current annual oil imports for more than 100 years." The United States currently consumes about 20 million barrels of oil per day, about 58 percent of which is imported.

Oil shale may be the largest untapped source of domestic oil, dwarfing the quantity of oil available offshore and on federal lands currently off-limits. However, it is very expensive to extract. A government program to subsidize its development in the 1980s was shut down when cost figures came in at several times the then-market price for oil.

Unlike traditional sources of oil, oil shale requires energy to bake the rock and pump the molten oil to the surface. There also are big environmental worries about the possible effect on the region's water, wildlife and public lands.

Democratic Sen. Ken Salazar, whose state, Colorado, has some of the largest oil shale deposits, inserted language into a spending bill last year that bars the federal government from issuing final rules for commercial oil-shale development.

"Tomorrow's announcement does not change the realities," said Matt Lee-Ashley, a spokesman for Salazar. "While the administration can finalize its draft rules, it is premature to move forward with a full commercial leasing program."

Bureau of Land Management spokesman Matt Spangler said Tuesday's proposal does not conflict with Salazar's provision.

In late 2006, the government issued leases for 10-year experimental projects to Shell Frontier Oil & Gas Co., Chevron USA and EGL Resources Inc. In testimony before a Senate committee in May, Assistant Interior Secretary Stephen Allred said commercial production of oil shale would not be under way until at least 2015.

<http://www.iht.com/articles/ap/2008/07/22/america/NA-GEN-US-Oil-Shale.php>

## **US proposes rules to get 800 bln barrels oil shale**

**Tue Jul 22, 2008 8:47pm BST**

WASHINGTON, July 22 (Reuters) - The U.S. Interior Department on Tuesday published proposed regulations to establish a commercial oil shale program that could result in up to 800 billion barrels of recoverable oil from lands in the western United States.

The oil, which would not make it into the U.S. market until the middle of the next decade, would provide enough long-term supplies to meet current U.S. oil needs for 110 years and help reduce U.S. reliance on foreign suppliers.

"As Americans pay more than \$4 for a gallon of gasoline and watch energy prices continue to climb higher and higher, we need to be doing more to develop our own energy here at home, through resources such as oil shale," said Interior Secretary Dirk Kempthorne.

"Instead, I find it ironic that we are asking countries halfway around the world to produce more for us," he said.

The proposed regulations, which will be open for public comment for 60 days, address the maximum size of oil shale leases and royalty rates that would have to be paid by companies.

The department is only publishing proposed regulations at this time, because Congress has blocked development of the oil shale due to environmental concerns.

Oil shale production consumes large amounts of water and power, both of which are scarce in the West. Shale rock is heated with steam to extract the oil.

Oil shale is a fine-grained sedimentary rock containing organic matter from which oil may be produced. Commercial development of oil shale will not begin until it is technologically viable, which is not expected for several years.

Commercial leases would not be issued until at least 2012, and then it would be three more years until there was significant production of oil, the department said.

The largest known deposits of oil shale are located in a 16,000-square mile (41,440 square km) area in the Green River formation in Colorado, Utah and Wyoming.

The National Association of Manufacturers welcomed the proposed regulations.

"This country is facing an energy crisis," said NAM president John Engler. "We must take every opportunity to tap America's own abundant energy resources to lower prices and reduce our dependence on foreign oil."

<http://uk.reuters.com/article/oilRpt/idUKN2231522420080722?pageNumber=1&virtualBrandChannel=0>

## **Interior proposes lower royalties on oil shale**

**DINA CAPIELLO, Associated Press Writer**

**July 22, 2008 4:38 PM**

WASHINGTON (AP) - The Bush administration on Tuesday proposed charging energy companies wanting to squeeze oil out of vast shale deposits in the West lower royalties than what they pay for drilling on other federal lands, including offshore in the Gulf of Mexico and Alaska.

In draft rules issued Tuesday, the Interior Department recommended a range of royalty rates for the extraction of oil from shale on 2 million acres of public property in Colorado, Utah and Wyoming. All would be less - at least for a time - than the 12.5 percent to 18.8 percent the government currently collects from companies producing oil on and offshore.

Interior officials said the discounted rate, which would be fixed at 5 percent in one proposal, would offer an incentive for companies to develop oil shale, which can cost up to three times more to produce than traditional oil. Shale oil also contains less energy than oil, coal and wood, the Interior Department said.

"For years, the cost of extracting oil from shale exceeded the benefit, but today that calculus is changing," Interior Secretary Dirk Kempthorne told reporters Tuesday. "This makes oil shale a highly promising resource."

The Bush administration's action comes as Congress debates expanding domestic oil production to respond to high gasoline prices. Among the proposals being pushed are opening up more federal lands to energy production, including offshore areas currently off-limits, and forcing companies with active leases to produce on them now.

Last year, however, Congress decided in a spending bill to prohibit the Interior Department from issuing final regulations for commercial development of oil shale.

Kempthorne said the administration could not wait for that prohibition to be lifted to issue proposed rules. "Any delay would discourage investment in research and development," he said.

Oil shale is one of the largest untapped sources of energy in the U.S. An estimated 800 billion barrels is locked up in rock in the West beneath land that is more than 70 percent publicly owned.

Environmentalists, along with Colorado's Democratic governor, Bill Ritter, accused the Bush administration of rushing to develop oil shale at "bargain basement" rates, without accounting for its various impacts. High oil and natural gas prices have

already caused a black gold rush in the West, with more than 100,000 traditional oil and gas wells approved in recent years.

Ritter said Tuesday that oil shale, which would not be produce oil until 2015 or 2016, would do nothing to help with high gasoline prices.

"This is a last-ditch, irresponsible attempt by the White House to issue commercial oil-shale leases, at Colorado's expense," Ritter said. "These regulations would send bargain basement royalty rates that could cost Coloradans billions of dollars."

Kate Zimmerman, a senior policy specialist with the National Wildlife Federation, said Interior's proposal did not represent a fair market value to the public.

"It's a lowball number in terms of the potential profits these guys are going to reap from oil shale," she said.

The current estimated production cost for shale oil ranges from about \$37.75 to \$65.21 a barrel, according to the Interior Department, whereas conventional onshore crude costs approximately \$19.50 per barrel to harvest. The difference is that oil shale requires energy to bake the rock and pump the molten oil to the surface.

The Interior Department offered other alternatives to a fixed 5 percent royalty, which is charged as a percentage of the cost of a barrel of oil. Other suggestions included a sliding scale based on the market price of conventional oil and gas, as well as a royalty rate that would start at 5 percent and increase to 12.5 percent, depending on the level of production.

Industry representatives, who pushed for initial royalties to be lower than 12.5 percent, said that while commercial-scale production of oil shale is a decade off or more, companies need to know what to expect before investing.

"It is basically recognition that in the beginning there has to be a lower royalty to recognize the pioneering nature of this business," said Glenn Vawter, executive director of the National Oil Shale Association.

<http://www.newspress.com/Top/Article/article.jsp?Section=BUSINESS&ID=565337392866002989>

Shell Oil, which generally is acknowledged as leading the effort to draw petroleum from shale using a method that leaves the rock in place, said the draft regulations were a long time in coming.

"We've been pushing very strongly to have regulation proposed," said Tracy Boyd, communications and sustainability manager for Shell Exploration and Production Co.'s Unconventional Oil Division. In setting regulations, the federal government "literally will be defining the rules of the road" and establishing the guidelines under which companies can decide whether their technology is commercially feasible, Boyd said.

[http://www.gjsentinel.com/news/content/news/stories/2008/07/22/072308\\_1a\\_shale\\_regs.html](http://www.gjsentinel.com/news/content/news/stories/2008/07/22/072308_1a_shale_regs.html)